

Message Text

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ACTION EA-14

INFO OCT-01 NEA-11 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 USIA-15 EB-11 COME-00 TRSE-00 OMB-01

FEA-02 INT-08 SCI-06 DRC-01 /157 W

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R 251617Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7394

INFO AMEMBASSY BONN

AMEMBASSY BEIRUT

AMEMBASSY PARIS

AMEMBASSY SOFIA

AMEMBASSY TEHRAN

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 01134

E.O. 11652: GDS

TAGS: ENRG, ETRD, UK, JA, IR, IZ, BU

SUBJECT: NAKASONE VISIT TO UK

REF: LONDON 11795

BEGIN SUMMARY: MITI MINISTER NAKASONE DISCUSSED INTERNATIONAL COOPERATION, INCLUDING US, IRANIAN, AND OPEC INITIATIVES IN CONTEXT OF OIL SHORTAGE; JAPANESE INVESTMENT IN NORTH SEA AND SPECIAL DEVELOPMENT AREAS OF UK; AND BILATERAL TRADE MATTERS WITH PM HEATH, SEC STATE, DTI, PETER WALKER AND SEC STATE, ENERGY, LORD CARRINGTON. JAPANESE WERE DISAPPOINTED IN EXPECTATION THAT PROPOSED INVESTMENT IN DEPRESSED REGIONS OF UK WOULD RESULT IN PREFERENTIAL INVOLVEMENT IN NORTH SEA OIL VENTURES. BRITISH INTEREST IN POTENTIAL DEAL BASED ON LONG-TERM SWAP ARRANGEMENTS FOR MIDDLE EAST
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OIL HAS COOLED PERCEPTIBLY AS TREND TOWARD "PARTICIPA-

TION" HAS ACCELERATED TO EXTENT THAT NEITHER BP OR HMG CAN BE ASSURED LONG TERM ACCESS TO SWAP CRUDE. JAPANESE MIGHT RECEIVE AT BEST marginally improved opportunity TO BID ON NEXT ROUND OF NORTH SEA LICENCES IN 1975 IN EXCHANGE FOR INVESTMENT IN SPECIAL DEVELOPMENT AREAS OF UK. JAPANESE STILL HIGHLY NERVOUS ABOUT POSSIBLE CONSUMER-PRODUCER CONFRONTATION IN CONTEXT OF KISSINGER PROPOSAL. END SUMMARY.

1. MITI MINISTER NAKASONE MET WITH PM HEATH, SEC STATE OF DEPARTMENT OF TRADE AND INDUSTRY PETER WALKER AND NEWLY APPOINTED SEC STATE FOR ENERGY, LORD CARRINGTON DURING JANUARY 10-12 VISIT. AGREED COMMUNIQUE NOTED IN CONTEXT OF OIL SHORTAGE NEED FOR MAXIMUM COOPERATION WITHIN INTERNATIONAL TRADING COMMUNITY, AVOIDANCE OF DISORDERLY COMPETITION FOR SCARCE SUPPLIES AND MINIMIZING OF RESTRICTIVE MEASURES WHICH WOULD DEFLATE WORLD MARKETS. BOTH SIDES WELCOMED US, IRANIAN AND OPEC INITIATIVES FOR ESTABLISHING DIALOGUE BETWEEN CONSUMER AND PRODUCER NATIONS. MINISTERS ALSO DISCUSSED PROSPECTS FOR MAINTAINING TRADITIONAL AND EXPANDING ALTERNATIVE SOURCES OF OIL SUPPLIES. FORTHCOMING VISITS OF MINISTER FOR INDUSTRIAL DEVELOPMENT CHATAWAY TO JAPAN (WEEK OF JANUARY 15) AND OF JAPANESE INDUSTRIALISTS TO UK WERE WELCOMED AS MEANS OF ENCOURAGING MUTUAL INVESTMENT OPPORTUNITIES. IMPORTANCE OF ENCOURAGING CONTINUED EXPANSION OF BILATERAL TRADE ALSO WAS NOTED.

2. HMG OFFICIALS ACKNOWLEDGE THAT JAPANESE WERE DISAPPOINTED IN HMG ATTITUDE ON NORTH SEA OIL. EARLIER JAPANESE EXPECTATIONS OF LINKAGE BETWEEN THEIR INVESTMENT IN SPECIAL DEVELOPMENT AREAS IN UK IN EXCHANGE FOR PREFERENTIAL INVOLVEMENT IN NORTH SEA VENTURES HAVE FOUNDERED BECAUSE HMG INTEREST HAS COOLED PERCEPTIBLY AS POTENTIAL DEAL BASED ON SWAP ARRANGEMENTS BECOMES

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 01134

LESS AND LESS FEASIBLE. TREND TOWARD FULL PRODUCER STATE PARTICIPATION IN MIDDLE EAST OIL CONCESSIONS HAS ACCELERATED TO POINT WHERE NO OIL COMPANY SUCH AS BP, OR CONSUMER GOVERNMENT SUCH AS HMG FOR THAT MATTER, CAN BE ASSURED OVER LONGER TERM OF ACCESS TO MIDDLE EAST OR OTHER OPEC CRUDE TO SWAP FOR NORTH SEA CRUDE PRODUCTION FINANCED BY JAPANESE. BRITISH ARE TOTALLY UNINTERESTED IN ANY ARRANGMENT WHICH WOULD REQUIRE EXPORT OF NORTH SEA CRUDE ITSELF.

3. BRITISH GENUINELY WANT TO COOPERATE WITH JAPANESE ON NORTH SEA BOTH FOR ECONOMIC AND POLITICAL REASONS. THEY BELIEVE JAPANESE ARE UNDERSTANDABLY JITTERY OVER LONG TERM OIL SUPPLY PICUTRE. BUT IT NOW APPEARS BEST JAPANESE CAN HOPE FOR AS CONSEQUENCE OF INCREASED INVESTMENT IN SPECIAL DEVELOPMENT AREAS OF UK IS MARGINALLY IMPROVED OPPORTUNITY TO BID SUCCESSFULLY
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TOGETHER WITH OR AGAINST UK, EC OR AMERICAN-BASED COMPANIES IN NEXT ROUND OF LICENSING OF N.S. BLOCKS SCHEDULED FOR 1975. CHANCES FOR DECISIVELY PREFERENTIAL TREATMENT SEEMINGLY HAVE DIMINISHED TO VANISHING POINT.

4. HMG SOURCE NOTED JAPANESE STILL SO NERVOUS ABOUT POSSIBLE CONSUMER-PRODUCER CONFRONTATION THAT THEY WERE "WRINGING THEIR HANDS" OVER KUWAITI NEWSPAPER ARTICLE WHICH WAS NEGATIVE TO US PROPOSAL FOR ENERGY ACTION GROUP. BRITISH ALLEGEDLY TOLD JAPANESE "TO COOL IT", THAT IN ANY EVENT PARTICULAR ARTICLE

INVOLVED WAS UNIMPORTANT AND DID NOT NECESSARILY REFLECT
GOK VIEWS.

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